BOND STORES, INCORPORATED

ANNUAL REPORT TO STOCKHOLDERS

YEAR ENDED DECEMBER 31, 1948

BOND CLOTHES

WORN BY MORE MEN AND WOMEN

THAN ANY OTHER CLOTHES

IN AMERICA

OFFICERS

Barney Ruben	*Chairman of the Board and President*
Irving Cohen	*Vice-President*
James W. Connors	*Vice-President*
Sylvan N. King	*Vice-President*
Irving Moselowitz	*Vice-President*
Louis A. Good	*Vice-President*
Maurie Sanger	*Vice-President*
Samuel W. Strickman	*Vice-President*
Ellis H. Schechtman	*Secretary and Treasurer*
Carl F. Klemenger	*Assistant Secretary*

BOARD OF DIRECTORS

Barney Ruben	Sylvan N. King
Benj. J. Friedman	Ellis H. Schechtman
Irving Cohen	Herbert H. Maass
James W. Connors	John M. Hancock
Irving Moselowitz	Maurice Wertheim

BOND STORES, INCORPORATED

FIFTH AVENUE AT 35TH STREET

NEW YORK

March 28, 1949

TO THE STOCKHOLDERS OF
BOND STORES, INCORPORATED:

Enclosed herewith are copies of the Consolidated Balance Sheet and Statements of Income and Surplus of your Company and Subsidiaries for the year ended December 31, 1948, reported on by the Company's Auditors.

Profits for the year 1948 were not equal to those of the preceding year despite the fact that our volume exceeded last year's by $1,262,039.25. Earnings for 1948 of $8,304,413.05 before Federal Income Taxes and $5,143,955.31 after such taxes compared with $14,150,300.55 and $8,728,300.55, respectively, for the preceding year. Our long existent policy of giving good values at fair prices for fine merchandise made unnecessary a general downward revision of our established prices during the year and enabled us to increase our sales to $84,477,443.14 from $83,215,403.89 for the year 1947. During the greater part of 1948, 57 stores were in operation, the same as in 1947, the number having been increased to 58 in September by the opening of our Fifth Avenue store.

The long-term indebtedness appearing on the accompanying Balance Sheet is that of subsidiary companies. The increase in such indebtedness over the preceding year was effected at the year-end. The notes payable of $1,600,000 appearing on the Balance Sheet have been paid since the date of the statement. Your Company has no bank debt and no funded debt.

Dividends aggregating $2.00 a share (50¢ a share quarterly) were paid during the year.

The uncontrollable and disappointing delays in our building and improvement program were the largest contributing factors to the decline in earnings. Such delays prevented us from opening more than two stores in 1948. Other openings had to be postponed until this Spring. As a result non-recurring extraordinary expenses in addition to increased organizational expenses were incurred. The taking of some unanticipated markdowns and unseasonable weather in the late fall and early winter were further contributing factors.

An examination of our Balance Sheet discloses a somewhat larger inventory than in the past few years, all of which was seasonably fine merchandise. This increase was deliberately planned in anticipation of new store openings. A large part of the planned excess has been absorbed in recent openings, and the remainder should be absorbed in the stores which are soon to be opened.

The new factory at Rochester, New York, was finished during the past year and the moving of several non-manufacturing departments from our old factory has been completed. One new large shop has been in operation at capacity for several months; another is in the course of completion and is about to begin operations. Additional shops are being set up and will begin operating in the near future.

Our Fifth Avenue store, considered one of the outstanding stores on "Fifth Avenue", opened in September 1948, and is the largest Bond store, including those presently in contemplation. Our former Reading, Pennsylvania, unit was replaced with a better located and substantially larger

store, which was also opened in September 1948. The public response to our carefully planned promotional efforts and advertising campaigns was most gratifying and sales results in each of these stores since the openings have exceeded our expectations.

The building and improvement program, of which stockholders have heretofore been advised, has been a burdensome problem for the past several years, but has now reached a stage where its conclusion is near at hand. In fulfillment of this program, the Huntington Park, Hollywood and the enlarged Los Angeles stores, all in California, and the Brooklyn, New York, store, the last mentioned being a replacement of an old store, were recently opened. Our Oak Park, Illinois, store, which is also a replacement, our new Chicago store at State Street and Jackson Blvd., which is outstanding in location, size, design and appointments and the enlarged and remodeled Washington, D.C., unit are expected to open shortly. The Houston, Texas, store is being enlarged to approximately double its present size and is expected to be completed in the fall.

Our new program for increasing our retail outlets does not contemplate the building of new units requiring substantial investment in improvements and fixed assets, but instead, the acquisition of existing well located clothing stores, or leases of such stores, which have been lately built or improved. In pursuance of this policy, we have acquired stores in Savannah, Georgia; Alton, Illinois; Springfield and Fall River, Massachusetts; Omaha, Nebraska; Paterson, New Jersey; Oklahoma City, Oklahoma; and Germantown, Pennsylvania; all of which have recently been opened or are about to be opened as Bond stores. These acquisitions were made on advantageous terms and the leases involved are all favorable. It is expected that future acquisitions will be made on similarly favorable bases.

The additional and replaced stores, the elimination of non-recurring extraordinary expenses and the reduction to normal of organizational expenses should provide a more profitable year for your Company in 1949. This opinion is fortified by management's belief that a larger potential selling market exists for your Company's products because a greater percentage of the public today is demanding better quality merchandise at popular prices, a demand which your Company has always catered to and is now more than ever able to meet by reason of its quality and price policy.

During the past year the number of our employees increased substantially. The enthusiasm and devotion to duty of our older employees has implanted itself upon our new employees. For their cooperation and loyalty, I express my sincere appreciation to every member of our organization.

Respectfully submitted,

Barney Ruben

President.

BOND STORES,

AND WHOLLY-OWN

CONSOLIDATED BALANCE SHE

ASSETS

Current Assets:			
Cash on hand and in banks			$8,999,160.61
Accounts receivable—customers		$8,729,017.93	
Less: Reserve for doubtful accounts		323,000.91	8,406,017.02
Miscellaneous accounts receivable, sales tax stamps, etc.			266,836.86
Merchandise inventories—Note A:			
Woolens, trimmings, etc.		$4,419,211.62	
Work in process		2,521,904.07	
Finished goods		16,612,825.89	23,553,941.58
Total Current Assets			$41,225,956.07
Miscellaneous Other Assets			304,243.76
Fixed Assets—at cost—Note B:			
Land		$5,816,965.27	
Buildings	$10,388,148.50		
Less: Reserve for depreciation	1,045,388.77	9,342,759.73	
Machinery, furniture, fixtures and equipment	$5,339,197.76		
Less: Reserve for depreciation	1,654,546.05	3,684,651.71	
Alterations, improvements and leaseholds	$5,027,819.99		
Less: Reserve for amortization	447,420.37	4,580,399.62	
Total Fixed Assets			23,424,776.33
Deferred Charges:			
Prepaid rent and advances to landlords on improvements to leased properties		$ 370,866.82	
Unexpired insurance and other prepaid expenses		730,447.13	1,101,313.95
			$66,056,290.11

The Notes to Consolidated Financial Statements are an integral p

INCORPORATED

NED SUBSIDIARIES

ET AS AT DECEMBER 31, 1948

LIABILITIES

Current Liabilities:			
Notes payable			$1,600,000.00
Accounts payable			3,907,507.72
Customers' deposits, etc.			396,129.58
Advances from landlords and others for building construction, etc.			207,305.70
Accrued salaries, taxes other than Federal taxes on income, expenses, etc.			3,009,007.50
Reserve for Federal taxes on income—Note C			3,190,311.82
Mortgages payable—current installments—Note B			313,841.45
Total Current Liabilities			$12,624,103.77
Mortgages and Mortgage Bonds Payable by Subsidiaries—Note B		$13,590,099.75	
Less: Current installments shown above		313,841.45	13,276,258.30
Total			$25,900,362.07
Capital Stock:			
Preferred Stock—par value $100.00 per share:	*Shares*		
Authorized—to be issued in series as designated by the Board of Directors	100,000		
Retired and cancelled	60,000		
Authorized—but not designated	40,000		
Common Stock—par value $1.00 per share:			
Authorized	2,500,000		
Issued and outstanding	1,688,394.94		1,688,394.94
Capital Surplus—Exhibit B		$11,596,135.77	
Earned Surplus—Exhibit B		26,871,397.33	38,467,533.10
			$66,056,290.11

art of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARIES
CONSOLIDATED STATEMENT OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1948

Capital Surplus:	
Balance as at December 31, 1948 (no change during year)—Exhibit A	$11,596,135.77
Earned Surplus:	
Balance as at December 31, 1947	$25,104,185.52
Add:	
Net income for the year—Exhibit C	5,143,955.31
	$30,248,140.83
Deduct:	
Dividends on Common Stock	3,376,743.50
Balance as at December 31, 1948—Exhibit A	$26,871,397.33

The Notes to Consolidated Financial Statements are an integral part of this statement and should be read in conjunction herewith.

Exhibit C

BOND STORES, INCORPORATED

AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1948

Sales		$84,477,443.14
Cost of goods sold, stores and general and administrative expenses, exclusive of depreciation and amortization		76,200,870.33
		$ 8,276,572.81
Add:		
Income from real estate operations of subsidiaries, before deducting depreciation and amortization	$376,199.10	
Other income	471,157.52	847,356.62
		$ 9,123,929.43
Deduct:		
Depreciation	$713,287.82	
Amortization	106,228.56	819,516.38
Net income for the year before Federal income taxes		$ 8,304,413.05
Provision for Federal income taxes		3,160,457.74
Net income for the year, transferred to Earned Surplus—Exhibit B		$ 5,143,955.31

The Notes to Consolidated Financial Statements are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1948

NOTE A: Merchandise inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method as to furnishings and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. These methods for pricing the inventories are consistent with the practice of prior years.

NOTE B: Land and buildings, which are carried on the balance sheet in the total amount of $15,159,725.00, are comprised principally of property located at 45th Street and Broadway, New York City, owned by Adda, Inc., a wholly-owned subsidiary; properties in Rochester, New York, including the factories owned by Style Manor, Inc., a wholly-owned subsidiary; property located in Chicago, Illinois, owned by Stajac, Inc., a wholly-owned subsidiary; factory in New Brunswick, New Jersey; and the shirt factories, owned by wholly-owned subsidiaries.

The property owned by Adda, Inc., a wholly-owned subsidiary, is subject to a first mortgage in the amount of $3,375,724.71, payable in quarterly installments to December 13, 1959. The property located in Chicago, Illinois, owned by Stajac, Inc., a wholly-owned subsidiary, is subject to a first mortgage in the amount of $3,500,000.00, payable in quarterly installments to December 17, 1967. The factories located in Rochester, New York, owned by Style Manor, Inc., a wholly-owned subsidiary, are subject to a first mortgage in the amount of $6,500,000.00, payable in quarterly installments to December 15, 1968. The property located in Syracuse, New York, owned by Syrabond Realty Corporation, a wholly-owned subsidiary, is subject to a first mortgage in the amount of $214,375.04, payable in monthly installments to July 1, 1964. At each of the said dates the unamortized balance of the respective mortgage becomes due and payable. The Corporation is not liable under any of such mortgages, being in each case a lessee of the property, or a substantial part thereof, under a long-term lease; such leases are assigned as security under the mortgages, respectively.

NOTE C: The Federal income and excess profits tax returns of the Corporation have been examined up to and including the year ended December 31, 1944 and all assessments have been paid.

The Corporation has filed claims under Section 722 of the Internal Revenue Code for refund of a substantial amount of excess profits taxes for the years 1940 to 1945, inclusive. No effect has been given to these claims in the accompanying financial statements.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

GENERAL: Reference is made to the comments in the attached President's letter in respect of the Corporation's expansion and replacement program which will require further expenditures for equipment and improvements.

ACCOUNTANTS' REPORT

To the Board of Directors,
BOND STORES, INCORPORATED,
New York, N. Y.

We have examined the consolidated balance sheet of Bond Stores, Incorporated and wholly-owned subsidiaries as at December 31, 1948 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus, together with the notes to consolidated financial statements, present fairly the consolidated financial position of Bond Stores, Incorporated and wholly-owned subsidiaries at December 31, 1948, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y., March 28, 1949

BOND STORES ARE LOCATED IN THE FOLLOWING CITIES

AKRON, OHIO
ALBANY, N. Y.
ALTON, ILL.
ATLANTA, GA.
BALTIMORE, MD.
BIRMINGHAM, ALA.
BOSTON, MASS.
BUFFALO, N. Y.
CHICAGO, ILL.
(5 stores)
CINCINNATI, OHIO
CLEVELAND, OHIO
COLUMBUS, OHIO
DALLAS, TEXAS
DAYTON, OHIO
DES MOINES, IOWA
DETROIT, MICH.
(2 stores)
FALL RIVER, MASS.
FLINT, MICH.
GERMANTOWN, PA.
HARRISBURG, PA.
HARTFORD, CONN.
HOLLYWOOD, CALIF.
HOUSTON, TEXAS
HUNTINGTON PARK, CALIF.
JERSEY CITY, N. J.
KANSAS CITY, MO.
LORAIN, OHIO
LOS ANGELES, CALIF.
LOUISVILLE, KY.
MEMPHIS, TENN.
MILWAUKEE, WISC.
NEWARK, N. J.
NEW BRUNSWICK, N. J.
NEW HAVEN, CONN.
NEW YORK, N. Y.
(9 stores)
OAKLAND, CALIF.
OKLAHOMA CITY, OKLA.
OMAHA, NEB.
PATERSON, N. J.
PHILADELPHIA, PA.
PITTSBURGH, PA.
PROVIDENCE, R. I.
READING, PA.
ROCHESTER, N. Y.
SAN FRANCISCO, CALIF.
SAVANNAH, GA.
SCHENECTADY, N. Y.
SCRANTON, PA.
SPRINGFIELD, MASS.
ST. LOUIS, MO.
SYRACUSE, N. Y.
TOLEDO, OHIO
TRENTON, N. J.
WASHINGTON, D. C.
WILKES-BARRE, PA.
YOUNGSTOWN, OHIO

Factories in Rochester, N. Y., New Brunswick, N. J. and Buffalo, N. Y.